

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Oceana County	County Oceana
Fiscal Year End December 31, 2006	Opinion Date June 18, 2007	Date Audit Report Submitted to State June 29, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

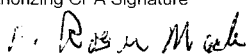
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☒ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☐ ☒ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe) Single Audit Report	<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) Willis & Jurasek, P.C.		Telephone Number 517-788-8660	
Street Address 2545 Spring Arbor Road, Suite 200		City Jackson	State MI
Authorizing CPA Signature 		Printed Name F. Roger Mack	Zip 49203
		License Number 1101020342	

Oceana County, Michigan

Financial Statements
And Independent Auditors' Report

Year Ended December 31, 2006

Oceana County, Michigan
Board of Commissioners

Larry VanSickle
Chairperson

Jim Brown

Joseph Merten

Larry Byl

Evelyn Kolbe

Gerald Malburg

Charles (Bud) Simon

Court Judges

Honorable Terrence R. Thomas
Circuit Court

Honorable Kevin Drake
District Court

Honorable Walter A. Urick
Probate Court

Honorable Anthony A. Monton
Chief Circuit Court

County Elected Officials

Sheila Gowell
Treasurer

Kenneth Prince
Sheriff

Calvin C. Ackley
Drain Commissioner

Rebecca J. Griffin
Clerk

Terry Shaw
Prosecuting Attorney

Janice Foster
Register of Deeds

J. Randolph Hepworth
Surveyor

County Population - 2000

26,873

County Taxable Valuation - 2006

\$919,437,298

Oceana County, Michigan

Table of Contents

Page

Independent Auditors' Report	1 – 2
---	--------------

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Assets – Modified Cash Basis – Primary Government Only	3
Statement of Activities – Modified Cash Basis – Primary Government Only	4

Fund Financial Statements:

Balance Sheet – Cash Basis – Governmental Funds	5
Reconciliation of Fund Balances on the Balance Sheet (Cash Basis) of Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets (Modified Cash Basis).....	6
Statement of Revenues, Expenditures and Changes in Fund Balances – Cash Basis – Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds (Cash Basis) to the Governmental Activities on the Statement of Activities (Modified Cash Basis)	8
Statement of Net Assets – Modified Cash Basis – Proprietary Funds	9
Statement of Revenues, Expenses, and Changes in Net Assets – Modified Cash Basis – Proprietary Funds	10
Statement of Fiduciary Net Assets – Cash Basis – Fiduciary Funds	11
Notes to Financial Statements	12 – 25

Required Supplemental Information:

Budgetary Comparison Schedule – General Fund and Major Special Revenue Funds	26-27
--	-------

Other Supplemental Information:

Combining Balance Sheet – Cash Basis – Nonmajor Governmental Funds	28
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Cash Basis – Nonmajor Governmental Funds	29
Combining Balance Sheet – Cash Basis – Nonmajor Special Revenue Funds.....	30-32
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Cash Basis – Nonmajor Special Revenue Funds	33-35

**Oceana County, Michigan
Table of Contents (Continued)**

	<u>Page</u>
Combining Balance Sheet – Cash Basis – Nonmajor Debt Service Funds	36
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Cash Basis – Nonmajor Debt Service Funds	37
Combining Balance Sheet – Cash Basis – Nonmajor Capital Project Funds.....	38
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Cash Basis – Nonmajor Capital Project Funds	39
Combining Balance Sheet – Cash Basis – Nonmajor Permanent Funds	40
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Cash Basis – Nonmajor Permanent Funds	41
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual - Cash Basis – General Fund	42-44
Schedule of Bonded Indebtedness	45-48
Federal Awards Supplemental Information	Issued Under Separate Cover



Independent Auditors' Report

Board of Commissioners
Oceana County
Hart, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Oceana County, Michigan, as of and for the year ended December 31, 2006, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County's policy is to prepare its government-wide financial statements on the modified cash basis of accounting and to prepare its fund financial statements on the cash basis of accounting, both of which are a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements referred to above do not include financial data for the County's legally separate discretely presented component units. Accounting principles generally accepted in the United States of America require the financial data for those discretely presented component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements.

In our opinion, because of the omission of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Oceana County as of December 31, 2006, or the changes in financial position thereof for the year then ended.

WILLIS & JURASEK, P.C.

2545 Spring Arbor Road
Suite 200
Jackson, MI 49203-3690

Phone Number: (517) 788-8660
Fax Number: (517) 788-9872
E-Mail: willis@willispc.com
Web site: www.willispc.com

Board of Commissioners
Oceana County

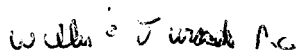
Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities and the business-type activities of Oceana County, Michigan, as of December 31, 2006, and respective changes in financial position - modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note 1 and the respective financial position - cash basis of each major fund, and the aggregate remaining fund information of Oceana County, Michigan, as of December 31, 2006, and the respective changes in financial position - cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Oceana County, Michigan has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the financial statements.

The budgetary comparison information on page 27 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2007, on our consideration of the County's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the primary government financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of Oceana County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the primary government financial statements taken as a whole.



Willis & Jurasek, P.C.

June 18, 2007

Oceana County, Michigan

Statement of Net Assets
Modified Cash Basis
Primary Government Only
December 31, 2006

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
Assets:			
Cash and investments	\$ 4,439,056	\$ 325,643	\$ 4,764,699
Current taxes receivable	5,793,191	-	5,793,191
Delinquent taxes	-	1,158,752	1,158,752
Receivables from other governmental units to service bond debt	3,445,000	-	3,445,000
Internal balances	31,200	-	31,200
Capital assets less accumulated depreciation of \$6,044,432	13,518,218	-	13,518,218
Total assets	<u>27,226,665</u>	<u>1,484,395</u>	<u>28,711,060</u>
Liabilities:			
Other liabilities	67,398	-	67,398
Deferred property taxes	5,793,191	-	5,793,191
Long-term liabilities:			
Bonds payable, due within one year	585,000	-	585,000
Other obligations, due within one year	86,510	945,000	1,031,510
Bonds payable, due in more than one year	7,966,000	-	7,966,000
Other obligations, due in more than one year	196,997	-	196,997
Total liabilities	<u>14,695,096</u>	<u>945,000</u>	<u>15,640,096</u>
Net Assets:			
Investment in capital assets - net of related debt	8,128,711	-	8,128,711
Restricted for debt service	457,735	-	457,735
Restricted for construction	161,084	-	161,084
Unrestricted	3,784,039	539,395	4,323,434
Total net assets	<u>\$ 12,531,569</u>	<u>\$ 539,395</u>	<u>\$ 13,070,964</u>

See Notes to Financial Statements.

Oceana County, Michigan
Statement of Activities
Modified Cash Basis
Primary Government Only
Year Ended December 31, 2006

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services		Capital Grants	Total	Business-Type	
		Operating Grants	and Contributions and Contributions	Governmental		Activities	Total
Primary Government:							
Governmental Activities:							
Legislative	\$ 156,839	\$ -	\$ -	\$ -	(156,839)	\$ -	(156,839)
Judicial	1,318,272	474,402	559,576	-	1,033,978	(284,294)	(284,294)
General county government	2,634,347	405,885	260,927	-	666,812	(1,967,535)	(1,967,535)
Public safety	4,574,795	2,467,994	344,161	-	2,812,155	(1,762,640)	(1,762,640)
Public works	525,396	84,157	4,935	-	89,092	(436,304)	(436,304)
Health and welfare	16,907,929	10,775,344	2,208,580	-	12,983,924	(3,924,005)	(3,924,005)
Culture and recreation	56,265	35,617	-	-	35,617	(20,648)	(20,648)
Other	815,875	-	-	-	-	(815,875)	(815,875)
Interest	354,966	-	-	-	-	(354,966)	(354,966)
Total governmental activities	27,344,684	14,243,399	3,378,179	-	17,621,578	(9,723,106)	(9,723,106)
Business-Type Activities:							
Tax revolving fund	78,879	392,188	-	-	392,188	-	313,309
Total primary government	\$ 27,423,563	\$ 14,635,587	\$ 3,378,179	\$ -	\$ 18,013,766	\$ (9,723,106)	\$ (9,409,797)
General Revenues:							
Property taxes					\$ 9,823,847	\$ -	\$ 9,823,847
Investment earnings					211,253	-	211,253
Other					522,477	-	522,477
Transfers					500,000	(500,000)	-
Total general revenues and transfers					11,057,577	(500,000)	10,557,577
Changes in Net Assets					1,334,471	(186,691)	1,147,780
Net Assets - Beginning of Year					11,197,098	726,086	11,923,184
Net Assets - End of Year					\$ 12,531,569	\$ 539,395	\$ 13,070,964

See Notes to Financial Statements.

Oceana County, Michigan
Balance Sheet
Cash Basis
Governmental Funds
December 31, 2006

	General	Medical Care Facility	Revenue Sharing	Ambulance	Senior Citizens Tax	Other Governmental Funds	Total Governmental Funds
\$	764,210 \$	114,824 \$	1,176,260 \$	199,546 \$	8,412 \$	2,175,804 \$	4,439,056
	1,604,510	2,173,826	-	888,636	666,500	459,719	5,793,191
	-	-	774,651	-	-	-	774,651
	31,200	-	-	-	-	-	31,200
\$	2,399,920 \$	2,288,650 \$	1,950,911 \$	1,088,182 \$	674,912 \$	2,635,523 \$	11,038,098

Assets

Assets:
Cash and cash equivalents
Property taxes receivable
Due from other funds
Advances to other funds
Total assets

Liabilities and Fund Balances

Liabilities:

\$	774,651 \$	- \$	- \$	- \$	- \$	- \$	774,651
	-	-	-	-	-	67,398	67,398
	1,604,510	2,173,826	-	888,636	666,500	459,719	5,793,191
	2,379,161	2,173,826	-	888,636	666,500	527,117	6,635,240

Fund Balances:

Unrestricted; undesignated - reported in:							
General fund	20,759	-	-	-	-	-	20,759
Special revenue funds	-	114,824	1,950,911	199,546	8,412	1,338,972	3,612,665
Debt service funds	-	-	-	-	-	457,735	457,735
Capital project funds	-	-	-	-	-	161,084	161,084
Permanent funds	-	-	-	-	-	150,615	150,615
Total fund balances	20,759	114,824	1,950,911	199,546	8,412	2,108,406	4,402,858
Total liabilities and fund balances	2,399,920 \$	2,288,650 \$	1,950,911 \$	1,088,182 \$	674,912 \$	2,635,523 \$	11,038,098

See Notes To Financial Statements.

Oceana County, Michigan

Reconciliation of Fund Balances on the Balance Sheet (Cash Basis) of Governmental Funds
to Net Assets of Governmental Activities on the Statement of Net Assets (Modified Cash Basis)
December 31, 2006

Total Fund Balances - Governmental Funds		\$ 4,402,858
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	\$ 19,562,650	
Accumulated depreciation is	<u>(6,044,432)</u>	
		13,518,218
Other long-term assets are not available to pay for current period expenditures and therefore are not recorded in the funds.		
Add - long-term receivable from municipalities to service future bond principal		3,445,000
Long-term liabilities not due and payable in the current period and not reported in the funds:		
Bonds payable		(8,551,000)
Notes payable		<u>(283,507)</u>
Total Net Assets - Governmental Activities		<u>\$ 12,531,569</u>

Oceana County, Michigan
Statement of Revenues, Expenditures, and Changes in Fund Balances
Cash Basis
Governmental Funds
Year Ended December 31, 2006

	General	Medical Care Facility	Revenue Sharing	Ambulance	Senior Citizens Tax	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	\$ 4,481,461	\$ 2,027,961	\$ 1,409,139	\$ 829,009	\$ 621,758	\$ 454,519	\$ 9,823,847
Licenses and permits	52,338	-	-	-	-	-	52,338
Intergovernmental	1,169,599	-	-	-	-	2,208,580	3,378,179
Charges for services	1,079,712	10,405,935	-	779,122	-	1,916,359	14,181,128
Fines and forfeitures	9,933	-	-	-	-	-	9,933
Interest and rents	196,798	14,442	-	-	-	13	211,253
Contributions from local units	-	-	-	-	-	475,773	475,773
Other	215,199	-	-	-	-	141,505	356,704
Total revenues	<u>7,205,040</u>	<u>12,448,338</u>	<u>1,409,139</u>	<u>1,608,131</u>	<u>621,758</u>	<u>5,196,749</u>	<u>28,489,155</u>
Expenditures:							
Current operations:							
Legislative	156,839	-	-	-	-	-	156,839
Judicial	1,279,181	-	-	-	-	28,376	1,307,557
General county government	2,459,292	-	-	-	-	-	2,459,292
Public safety	3,119,020	-	-	-	-	1,243,472	4,362,492
Public works	171,529	-	-	-	-	-	171,529
Health and welfare	40,737	12,343,057	-	1,537,114	615,596	2,845,812	17,382,316
Culture and recreation	-	-	-	-	-	56,265	56,265
Other	682,159	-	-	-	-	23,843	706,002
Capital outlay	-	-	-	-	-	113,873	113,873
Debt service:							
Principal	-	-	-	-	-	555,000	555,000
Interest and fiscal charges	-	-	-	-	-	354,966	354,966
Total expenditures	<u>7,908,757</u>	<u>12,343,057</u>	<u>-</u>	<u>1,537,114</u>	<u>615,596</u>	<u>5,221,607</u>	<u>27,626,131</u>
Revenues Over							
(Under) Expenditures	<u>(703,717)</u>	<u>105,281</u>	<u>1,409,139</u>	<u>71,017</u>	<u>6,162</u>	<u>(24,858)</u>	<u>863,024</u>
Other Financing Sources (Uses):							
Transfers in	961,397	-	-	-	-	505,423	1,466,820
Transfers (out)	(280,548)	-	(461,397)	-	-	(224,875)	(966,820)
Total other financing sources (uses)	<u>680,849</u>	<u>-</u>	<u>(461,397)</u>	<u>-</u>	<u>-</u>	<u>280,548</u>	<u>500,000</u>
Net Change in Fund Balances	<u>(22,868)</u>	<u>105,281</u>	<u>947,742</u>	<u>71,017</u>	<u>6,162</u>	<u>255,690</u>	<u>1,363,024</u>
Fund Balances -							
Beginning of Year	<u>43,627</u>	<u>9,543</u>	<u>1,003,169</u>	<u>128,529</u>	<u>2,250</u>	<u>1,852,716</u>	<u>3,039,834</u>
Fund Balances - End of Year	<u>\$ 20,759</u>	<u>\$ 114,824</u>	<u>\$ 1,950,911</u>	<u>\$ 199,546</u>	<u>\$ 8,412</u>	<u>\$ 2,108,406</u>	<u>\$ 4,402,858</u>

See Notes to Financial Statements.

Oceana County, Michigan

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds (Cash Basis) to the Governmental Activities on the Statement of Activities (Modified Cash Basis) Year Ended December 31, 2006

Net Change in Fund Balances - Total Governmental Funds **\$ 1,363,024**

Amounts reported for governmental activities in the Statement
of Activities are different because:

Governmental funds report capital outlays as expenditures; in the
Statement of Activities, these costs are allocated over their estimated
useful lives as depreciation.

Depreciation expense	\$ (880,175)	
Capital outlay	<u>838,852</u>	
		(41,323)

Add net effect of principal recognized as revenue at fund level for long-term receivable collection		(310,000)
--	--	-----------

Bond proceeds are reported as financing sources in governmental funds
and thus contribute to the change in fund balance. In the Statement of Net
Assets, however, issuing debt increases long-term liabilities and does not
affect the Statement of Activities. Similarly, repayment of principal is an
expenditure in the governmental funds but reduces the liability in the
Statement of Net Assets.

Notes issued	(348,939)	
Repayments:		
To bond holders	569,000	
Notes payable	<u>102,709</u>	
		<u>322,770</u>

Change in Net Assets of Governmental Activities **\$ 1,334,471**

Oceana County, Michigan

Statement of Net Assets

Modified Cash Basis

Proprietary Funds

December 31, 2006

	Delinquent Tax Revolving Fund
Current Assets:	
Cash and cash equivalents	\$ 325,643
Delinquent taxes receivable	<u>1,158,752</u>
Total current assets	<u>1,484,395</u>
Current Liabilities:	
Notes payable	<u>945,000</u>
Net Assets:	
Unrestricted	<u>539,395</u>
Total net assets	<u>\$ 539,395</u>

See Notes to Financial Statements.

Oceana County, Michigan
Statement of Revenues, Expenses and Changes in Net Assets
Modified Cash Basis
Proprietary Funds
Year Ended December 31, 2006

	Delinquent Tax Revolving Fund
Operating Revenues:	
Interest and penalties on delinquent taxes	\$ 392,188
Operating Expenses:	
Interest expense	78,879
Total operating expenses	78,879
Operating Income (Loss)	313,309
Transfers:	
Transfers (out)	(500,000)
Total transfers	(500,000)
Changes in Net Assets	(186,691)
Net Assets - Beginning of Year	726,086
Net Assets - End of Year	\$ 539,395

Oceana County, Michigan
Statement of Fiduciary Net Assets
Cash Basis
Fiduciary Funds
December 31, 2006

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ 1,080,555
Total assets	<u>\$ 1,080,555</u>
Liabilities:	
Undistributed penal fines	\$ 111,430
Other trust items payable	<u>969,125</u>
Total liabilities	<u>\$ 1,080,555</u>

Oceana County, Michigan
Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies and Other Matters

Oceana County was organized in 1855, and covers an area of approximately 1,296 square miles divided into sixteen townships, six villages and one city. The county seat is located in the City of Hart. The County operates under an elected Board of Commissioners (seven members) and provides services to its approximately 26,873 (2000 census) residents in many areas including law enforcement, administration of justice, community enrichment and development and human services.

Reporting Entity

Generally accepted accounting principles require the reporting entity to include Oceana County (the primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government. These financial statements present the following component units:

Blended Component Units

Oceana County Building Authority – The Oceana County Building Authority is governed by a five-member board appointed by the County Board of Commissioners. Although it is legally separate from the County, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the County's public buildings.

Discretely Presented Component Units

This report does not include the financial statements of the following component units, which should be included as discretely presented component units to conform to generally accepted accounting principles.

Oceana County Drain Commission – Each of the drainage districts established pursuant to the Drain Code of 1956 are separate legal entities with the power to contract; to sue and be sued; to hold, manage, and dispose of real and personal property; etc. The County Drain Commissioner has sole responsibility to administer the drainage district established pursuant to Chapter 3 and Chapter 4 of the Drain Code.

The drainage board or drain commissioners, on behalf of the drainage district, may issue debt and levy special assessments authorized by the Drain Code without the prior approval of the County Board of Commissioners. The full faith and credit of the County may be given for the debt of the drainage district.

Oceana County Road Commission – The County Road Commission, which is established pursuant to the County Road Law, is governed by an appointed three-member Board of County Road Commissioners. The Road Commission may not issue debt or levy a tax without the approval of the County Board of Commissioners. If approval is granted, the Road Commission taxes are levied under the taxing authority of the County, as approved by the County electors, and would be included as a part of the County's total tax levy as well as reported in the County Road Fund.

Also omitted from these statements is the Road Commission's Deferred Compensation Trust (Trust and Agency Fund), which holds and invests the Road Commission employee's deferred compensation amounts. The Road Commission is audited individually by other auditors.

Oceana County, Michigan
Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies and Other Matters (Continued)

Discretely Presented Component Units (Continued)

Oceana County Economic Development Corporation – The Economic Development Corporation (EDC), which was established pursuant to the provisions of Public Act 338 of 1974, as amended, is governed by a thirteen-person Board of Directors appointed by the County's Board of Commissioners. The EDC may not issue debt without the Board's approval and administers a significant amount of federal economic development grant money received by the County Board. The EDC is audited individually and is not included in this report.

Complete financial statements of the individual component units, where reports are separately provided, can be obtained from their respective administrative offices or from the County Administrator's Office, P.O. Box 14, Hart, Michigan 49420. The telephone number is (231) 873-4835.

Administrative Offices

Oceana County Road Commission
3501 West Polk
Hart, Michigan 49420

Oceana Economic Development Corporation
Oceana County Courthouse Annex Building
Hart, Michigan 49420

Oceana County Drain Commission
Oceana County Courthouse Building
Oceana, Michigan 49420

Government-Wide and Fund Financial Statements

The government-wide financial statements include a Statement of Net Assets and a Statement of Activities on all the non-fiduciary activities of the primary government. Most of the effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely primarily on user's fees and charges for service.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. Program revenues include 1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a specific function or segment and 2) operating grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly recorded among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported on the modified cash basis of accounting which does not conform to generally accepted accounting principles. Revenues are recorded when received in cash and expenses are recorded when paid. Property taxes are recognized as revenue in the year for which they are levied.

Governmental fund financial statements are reported using the cash basis of accounting which does not conform to generally accepted accounting principles. Revenues are recognized when received in cash and expenditures are recorded when paid.

Oceana County, Michigan
Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies and Other Matters (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Proprietary fund financial statements are reported using the cash basis of accounting which does not conform to generally accepted accounting principles. Revenues are recognized when received in cash and expenditures are recorded when paid.

The County reports the following major governmental funds:

General Fund – This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

Medical Care Facility Fund – This fund is used to account for funds raised for operating and maintaining a long-term care facility.

Revenue Sharing Fund – This fund accounts for accelerated property tax collections held for the replacement of future state shared revenues.

Ambulance Fund – This fund is used to accounts for funds raised for operating and maintaining an ambulance service for the County.

Senior Citizens Tax Fund – This fund accounts for a special millage for the Council on Aging, a non-profit organization. Financing is provided through a County tax levy.

The County reports the following major proprietary funds:

Delinquent Tax Revolving Fund – This fund accounts for the County's annual purchases of delinquent real property taxes from each of the local taxing units within the County and the ultimate collection from the property owners of the delinquent taxes with penalty and interest. The fund also accounts for the County's issuance of debt (to provide cash flow for the purchase of the taxes) and for the resulting debt service payments. The Delinquent Tax Revolving Fund is the only proprietary fund of the County.

Additionally, the County reports the following fund types:

Special Revenue Funds – These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

Debt Service Funds – These funds are used to account for the accumulation of resources for and the payment of principal and interest on long-term general obligation debt of governmental funds not being financed by proprietary or nonexpendable trust funds.

Capital Project Funds – These funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

Permanent Funds – These funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

Agency Funds – These funds account for monies that are custodial in nature (assets equal liabilities) and do not involve the measurement of results in operations.

Private-sector standards of accounting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

Oceana County, Michigan
Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies and Other Matters (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are revenues in excess of expenses for tax collection and internal rentals of buildings and equipment in excess of depreciation and cost of borrowing. Elimination of the revenues would distort the activity of the functions and would not reflect the proper future uses of the excesses collected for their specific governmental purposes.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of our proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit as well as amounts in the County Treasurer's cash management pools.

The County Treasurer maintains an entity-wide pooled cash account. Each fund type's portion of this pool is included in the "cash and cash equivalents" caption.

The County reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the County intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost. The County had no investments at year-end.

State statutes authorize the County to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The County is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Oceana County, Michigan
Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies and Other Matters (Continued)

Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Pursuant to Public Act 357 of 2004, all Michigan Counties levy a summer property tax levy in the amount of one-third of the next year's taxable value. For Oceana County, the summer 2005 tax levy was at 1.7802 mills. In 2006, two-thirds of the total property taxes were levied in the summer and in 2007 all property taxes will be levied in the summer.

The balance of property taxes are levied on December 1 of each year, which is the lien date, and are collected through March 1 of the year following the levy, at which time uncollected taxes become delinquent. The December 1 levy is recorded as receivable and deferred revenue at year-end because it is intended to fund expenditures of the following fiscal year. Taxes collected in December are held in the Trust and Agency Fund until the following year.

The 2006 taxable value of Oceana County totaled \$919,437,298, on which ad valorem taxes levied consisted of 5.2354 mills for the County's operating purposes, .9665 mills for ambulance services, 2.3643 mills for medical care facility services, 0.5000 mills for medical care facility debt, and 0.7249 mills for Senior Citizens' Tax Fund purposes, raising approximately \$1,604,000 for operating purposes, \$889,000 for ambulance services, \$2,174,000 for medical care facility services, \$460,000 for medical care facility debt, and \$666,000 for Senior Citizens' Tax Fund purposes. These amounts are recorded in the General, Special Revenue and Debt Service Funds financial statements as taxes receivable, with an offsetting credit to deferred revenue.

Capital Assets

Property and equipment are stated at cost. Expenditures which materially extend the useful life of existing properties are capitalized. All costs relating to the construction of facilities are capitalized, including salaries, employee benefits, and bond interest costs during the construction period. Capital assets are defined as assets with an estimated useful life of more than one year and with a unit cost of \$5,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets are reported in the respective governmental or business-type activities columns in the government-wide financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Oceana County, Michigan
Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies and Other Matters (Continued)

Capital Projects (Continued)

Property, plant, and equipment of the County, as well as its component units, are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	20
Buildings and building improvements	20 - 40
Machinery and equipment; furniture and fixtures	5 - 10
Vehicles	5 - 10
Infrastructure	35 - 40

Compensated Absences (Vacation and Sick Leave)

It is the County's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick leave is earned at the rate of seven to eight hours per month depending on the department and can be accumulated up to 630 hours. Payment upon separation is 50 percent of the unused accumulated sick leave balance. Vacation is earned in varying amounts depending on the number of years of service of an employee and should be used within one year of having been credited to the employee. It may be accrued with the permission of the department head.

Long-term Obligations

In the government-wide financial statements, long-term debts are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity Reserves and Designations

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 - Stewardship, Compliance and Accountability

The general and special revenue funds are the governmental fund types under formal budgetary control. The County adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and an annual appropriation act to implement the budget.

- 1) A general, special revenue and debt service funds budget is presented to the Board in September, at which time hearings on the budget are scheduled. A public hearing is held in September and a special meeting is held to give all elected officials the opportunity to discuss their budget with the Board.
- 2) The budget, and an appropriation ordinance implementing it, is then adopted in September.
- 3) Formal budget integration was employed as a management control device during the year for all funds.

Oceana County, Michigan
Notes to Financial Statements

Note 2 - Stewardship, Compliance and Accountability (Continued)

- 4) Budgets presented for the general and special revenue funds were prepared on the cash basis of accounting. Encumbrances are not recorded at year-end.
- 5) Expenditures may not legally exceed activity (department) totals in the general fund. All other special revenue funds cannot legally exceed their respective fund totals. Violations if any, are noted in the required supplemental information section.
- 6) Budgets for the current year are carefully reviewed during the year for any revision of estimates. Proposed increases or reductions in appropriations are presented to the Board for their action. The legislative body amends the general appropriation act as soon as it becomes apparent this action is necessary.
- 7) The governing Board has the authority to amend all budgets at the fund level through the appropriation ordinance. It further has the right to amend the general fund at the activity level if it desires. Management has no authority to amend budgets at the fund level. Management can do transfers within funds at the departmental level without governing Board approval but not between departments.
- 8) The budgetary information presented has been amended during the year by an official action of the County Board of Commissioners. The amendments were not significant in total.
- 9) All budget appropriations lapse at the end of each fund's fiscal year.

Note 3 - Cash and Cash Equivalents

To facilitate better management of the County's resources, substantially all cash is combined in one pooled operating account. The County's excess cash is invested principally in certificates of deposit.

In addition, the cash management pool and some depository accounts are maintained by various County Departments for the deposit of fees, fines, and other miscellaneous revenue. These revenues are transferred to the County Treasurer on a regular basis. Year-end book balances in these depository accounts are included in cash for reporting purposes.

At year-end, the County's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
Cash and investments	\$ <u>4,439,056</u>	\$ <u>325,643</u>	\$ <u>1,080,555</u>	\$ <u>5,845,254</u>

The breakdown between deposits and investments for the County is as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$ 5,823,554
Petty cash and cash on hand	<u>21,700</u>
Total	\$ <u>5,845,254</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the name of the local unit. The County has not adopted and State law does not require a policy for deposit custodial credit risk. As of year end \$5,975,948 of the County's bank balance of \$6,535,748 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Oceana County, Michigan
Notes to Financial Statements

Note 4 – Capital Assets

Capital asset activity of the County's governmental activities was as follows:

Primary Government:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Year-End Balance</u>
Assets not being depreciated:				
Land	\$ 1,365,960	\$ -	\$ -	\$ 1,365,960
Total assets not being depreciated	<u>1,365,960</u>	<u>-</u>	<u>-</u>	<u>1,365,960</u>
Capital assets being depreciated:				
Buildings and improvements	11,117,919	370,657	-	11,488,576
Equipment and furniture	4,913,882	243,384	-	5,157,266
Vehicles	1,211,471	251,938	59,211	1,404,198
Infrastructure	<u>146,650</u>	<u>-</u>	<u>-</u>	<u>146,650</u>
Subtotal	<u>17,389,922</u>	<u>865,979</u>	<u>59,211</u>	<u>18,196,690</u>
Accumulated depreciation:				
Buildings and improvements	2,394,949	287,887	-	2,682,836
Equipment and furniture	1,886,299	481,310	-	2,367,609
Vehicles	830,281	108,045	32,084	906,242
Infrastructure	<u>84,812</u>	<u>2,933</u>	<u>-</u>	<u>87,745</u>
Subtotal	<u>5,196,341</u>	<u>880,175</u>	<u>32,084</u>	<u>6,044,432</u>
Net capital assets being depreciated	<u>12,193,581</u>	<u>(14,196)</u>	<u>(27,127)</u>	<u>12,152,258</u>
Net capital assets, Governmental activities	<u>\$13,559,541</u>	<u>\$ (14,196)</u>	<u>\$ (27,127)</u>	<u>\$13,518,218</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

Judicial	\$ 10,715
General county government	58,917
Public safety	456,676
Health and welfare	<u>353,867</u>
Total depreciation expense - governmental activities	<u>\$ 880,175</u>

Oceana County, Michigan
Notes to Financial Statements

Note 5 – Long-Term Debt

The County issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the County.

Governmental activities - long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds	\$ 9,120,000	\$ -	\$ 569,000	\$ 8,551,000	\$585,000
Loans payable	<u>259,724</u>	<u>126,492</u>	<u>102,709</u>	<u>283,507</u>	<u>86,510</u>
Total governmental activities	<u>\$9,379,724</u>	<u>\$ 126,492</u>	<u>\$ 671,709</u>	<u>\$ 8,834,507</u>	<u>\$671,510</u>

General obligation bonds currently outstanding are as follows:

\$5,165,000 – City of Hart – Local Government Loan Program Revenue Bonds, Series 2001B due in annual installments of \$320,000 to \$455,000 through November 1, 2015; interest at 3.800% to 4.850%	\$ 3,445,000
\$1,890,000 – E-911 Building – Local Government Program Revenue Bonds, Series 2002, due in annual installments of \$110,000 to \$165,000 through November 1, 2017; interest of 3.500% to 4.625%	1,470,000
\$241,500 – Capital Improvement Bonds, Series 2003, due in annual installments of \$5,000 to \$15,000 through June 1, 2033; interest at 4.250%	231,000
\$350,000 – Capital Improvement Bonds, Series 2003B, due in annual installments of \$10,000 to \$30,000 through November 1, 2023; interest at 3.000% to 5.000%	320,000
\$3,500,000 – Capital Improvement Bonds, Series 2003C, due in annual installments of \$140,000 to \$245,000 through November 1, 2023; interest at 2.750% to 4.550%	<u>3,085,000</u>
Total bonded debt	<u>\$8,551,000</u>

Annual debt service requirements to maturity on the above governmental bond obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 585,000	\$ 402,976	\$ 987,976
2008	610,000	391,602	1,001,602
2009	630,000	367,854	997,854
2010	655,000	342,708	997,708
2011	681,000	315,372	996,372
2012-2016	3,377,000	1,125,481	4,502,481
2017-2021	1,343,000	601,911	1,944,911
2022-2026	583,000	201,765	784,765
2027-2031	59,000	27,910	86,910
2032-2033	<u>28,000</u>	<u>3,727</u>	<u>31,727</u>
Total	<u>\$ 8,551,000</u>	<u>\$ 3,781,306</u>	<u>\$12,332,306</u>

Oceana County, Michigan
Notes to Financial Statements

Note 5 – Long-Term Debt (Continued)

Loans Payable

The County is party to the following long-term notes at December 31, 2006:

Note payable Michigan Aeronautics Commission, annual payments of \$8,541 including interest at 4.50%.	\$ 23,510
Note payable Michigan Aeronautics Commission, annual payments of \$1,896 including interest at 4.50%.	5,007
Note payable AVAYA Financial Services, monthly payments of \$3,542 including interest at 5.12%.	141,831
Note payable CNH Capital, monthly payments of \$978 including interest at 7.25%.	37,675
Note payable Monthly payments of \$474.25 including interest at 6.25%	17,073
Note payable Old National, monthly payments of \$2,358 including interest at 4.34%.	<u>58,411</u>
	<u>\$ 283,507</u>

The notes are due in the following years:

2007	\$ 86,510
2008	90,675
2009	70,894
2010	<u>35,428</u>
	<u>\$ 283,507</u>

Business-type activities - long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Delinquent tax notes payable	<u>\$ 770,000</u>	<u>\$ 2,500,000</u>	<u>\$ 2,325,000</u>	<u>\$ 945,000</u>	<u>\$ 945,000</u>

At December 31, 2006, the County had outstanding \$945,000 of short-term general obligation tax notes. The tax notes carry interest rate at prime. All revenues related to the 2005 delinquent real property taxes have been pledged as security for the notes.

Note 6 – Interfund Receivables and Payables

The only interfund activity at year-end was a long-term advance from the general fund to the Drain Revolving Fund (component unit) of \$31,200.

Oceana County, Michigan
Notes to Financial Statements

Note 7 - Leases Payable

The County is party to several long-term rental agreements for office equipment. These agreements call for varying payments and terms due in the following years:

2007	\$ 120,607
2008	118,080
2009	102,666
2010	3,145
2011	<u>1,830</u>
	<u>\$ 346,328</u>

Note 8 - Pension Plan

Plan Description

Oceana County has a defined benefit plan for its employees that provides retirement, disability and death benefits to its members and beneficiaries. The plan is administered by the Municipal Employees Retirement System (MERS), an agent multiple employer pension plan created under Public Act 135 of 1945.

MERS issues a publicly available financial report that includes financial statements and required supplemental information for the County. This report may be obtained by writing to MERS, 1134 Municipal Way, Lansing, Michigan 48917, or by calling (517) 703-9030.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy. The County is required to contribute at an actuarially determined rate; the current rate was 5.79% at December 31, 2005.

Annual Pension Cost

For 2006, the County's annual pension cost was \$491,598 with the full amount being paid. The required contribution was determined as part of the December 31, 2005 actuarial valuation, using the entry age actuarial cost method. The actuarial assumptions include: a) 8% Investment Rate of Return (net of administrative expenses) and b) projected salary increases of 4.5% per year. The actuarial value of the County MERS plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The County's actuarial accrued liability has been overfunded for the past four years. Any future unfunded liability would be amortized over the next 30 years. The amortization period is open.

Four Year Trend Information

<u>Ending</u>	<u>Pension Cost (APC)</u>	<u>APC Contributed</u>	<u>Obligation</u>
12/31/05	\$490,916	100%	\$0
12/31/04	474,394	100%	0
12/31/03	596,546	100%	0

Oceana County, Michigan
Notes to Financial Statements

Note 8 - Pension Plan (Continued)

Analysis of Funding Progress						
Valuation Date <u>December 31</u>	(1) Actuarial Value of <u>Plan Assets</u>	(2) Actuarial <u>Accrued Liability</u>	(3) Funded Ratio <u>(1)/(2)</u>	(4) Unfunded (Overfunded) Actuarial Liability <u>(2)-(1)</u>	(5) Annual Covered <u>Payroll</u>	(6) Ratio of Unfunded (Funding Excess) to Covered <u>Payroll (4)/(5)</u>
2005	\$17,117,520	\$20,095,418	83%	\$3,577,898	\$9,463,625	38%
2004	14,316,120	18,897,232	76%	3,238,774	9,005,597	36%
2003	14,257,027	17,611,265	81%	3,352,238	8,746,938	38%
2002	12,995,037	15,627,290	83%	2,632,253	8,376,682	31%

Note 9 - Equity Transfer

During the year, a \$500,000 equity transfer was made to the general fund from the treasurer's unrestricted tax revolving fund. The amount represents excess funds that have accumulated after several individual tax revolving fund bond issues had been liquidated. The excess funds accumulated in the individual funds are transferred to the treasurer's unrestricted fund and may then be used for general operations.

Note 10 - Deferred Compensation Plan

Oceana County offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan were held in trust, as described in IRC Section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 Plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provision of GASB Statement 32, plan balances and activities are not reflected in Oceana County's financial statements.

Note 11 - Related-Party Transactions

Community Mental Health

The County leases premises to the Community Mental Health Service on a long-term lease arrangement calling for payments of \$332,864, payable \$3,000 in advance and the balance in 120 monthly installments of \$2,749. This lease commenced February 1, 1987 and expired July 1, 1997. The lease was renewed on a year-by-year basis for \$1,250 per month.

Building Authority

The County leases the Public Square site to the Authority for \$15, payable \$1 a year for 15 years.

Oceana County, Michigan
Notes to Financial Statements

Note 12 - Risk Management

Oceana County is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; liability; and natural disasters. The County is a member of the Michigan Municipal Risk Management Authority, which is a self-insured association, organized under the laws of the State of Michigan to provide self-insurance protection. The agreements between the Authority and the County are intergovernmental contracts. Under the contract, the County is responsible for paying all losses, including damages, loss adjustment expenses and defense costs, for each occurrence that falls within the County's self-insured retention (SIR) amounts. After the County has paid the SIR, the Authority is responsible for paying losses, including damages, loss adjustment expenses and defense costs up to a specified limit. The County's SIR and additional coverage amounts are as follows:

	<u>Retention</u>	<u>Additional Insurance</u>
Liability	\$ 75,000	\$15,000,000
Vehicle Physical Damage	\$ 15,000 per vehicle \$ 30,000 per occurrence	1,500,000
Property and Crime	10% of the next \$100,000	8,431,968

The activity of this contract is recorded in the general fund. Cash balances represent ending funds on deposit with the authority at December 31, 2006. Past experience indicates incurred but unreported claims would not represent a material charge against fund equities.

Additional information is as follows:

Current year contributions to the SIR	\$ <u>25,461</u>
Funds on deposit December 31, 2006	\$ 33,058
Claims and legal reserve (on cash basis) December 31, 2006	<u>(12,600)</u>
Estimated net assets December 31, 2006	\$ <u>20,458</u>

The amounts are reported on a cash basis as provided by Michigan Municipal Risk Management Authority. Settled claims have not exceeded the SIR limits in any of the past three years.

Note 13 - Jointly Governed Operations

District Health Department Number 10

Oceana County, Newaygo County, Lake County, Mecosta County, Manistee County, Mason County, Crawford County, Kalkaska County, Missaukee County and Wexford County participate jointly in the operation of the District Health Department Number 10.

The Board for the District Health Department is made up of two Commissioners from each county, plus one alternate from each county.

The funding formula approved by the member counties is based pro rata on each unit's population and their share of space costs. Member counties' appropriations for 2006 were based on revisions in population due to the 2000 Census.

Oceana County's 2006 appropriation to the District Health Department was \$157,308.

Oceana County, Michigan
Notes to Financial Statements

Note 13 - Jointly Governed Operations (Continued)

Community Mental Health System

Oceana County, Lake County and Mason County participate jointly in the operation of the West Michigan Community Mental Health System.

The funding formula is based pro rata on each unit's population to the total population. Member percentages of the net operating budget for the year ended December 31, 2006 were:

Oceana	40.00%
Mason	45.00%
Lake	15.00%

Oceana County's 2006 appropriation to West Michigan Community Mental Health System was \$130,000.

Substance Abuse

Oceana County is a member of a 31 County Region Coordinating Agency, (Northern Michigan Substance Abuse Services, Inc.) which contracts for substance abuse services throughout the member area.

Each county appropriates 50% of their liquor tax fund revenues to NMSAS, Inc.

Oceana County's appropriation for 2006 was \$44,937.

Note 14 - Transfers In (Out)

Interfund transfers at December 31, 2006 were:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 961,397	\$ 280,548
Revenue Sharing Reserve	-	461,397
Parks & Recreation	32,548	20,000
Law Library	16,000	-
Child Care	205,000	29,651
Soldiers and Sailors' Relief	17,000	-
Social Welfare	10,000	-
Juvenile Justice	29,651	-
Mason/Oceana E-911	-	175,224
Mason/Oceana E-911 Debt	175,224	-
Crystal Valley County Park	20,000	-
Tax Revolving	-	500,000
	<u>\$1,466,820</u>	<u>\$1,466,820</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Required Supplemental Information

Oceana County, Michigan
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget to Actual
Cash Basis
General Fund and Major Special Revenue Funds
Year Ended December 31, 2006

	General Fund			Medical Care Facility			Ambulance		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues:									
Taxes	\$ 4,700,953	\$ 4,700,953	\$ 4,481,461	\$ 2,054,316	\$ 2,054,316	\$ 2,027,961	\$ 839,624	\$ 839,624	\$ 829,009
Licenses and permits	65,200	65,200	52,338	-	-	-	-	-	-
Intergovernmental	1,190,286	1,190,286	1,169,599	-	-	-	-	-	-
Charges for services	1,279,382	1,279,382	1,079,712	8,710,759	8,710,759	10,405,935	616,420	616,420	779,122
Fines and forfeitures	10,110	10,110	9,933	-	-	-	-	-	-
Interest and rents	119,000	119,000	196,798	30,000	30,000	14,442	-	-	-
Other	183,892	200,644	215,199	-	-	-	-	-	-
Total revenues	<u>7,548,823</u>	<u>7,565,575</u>	<u>7,205,040</u>	<u>10,795,075</u>	<u>10,795,075</u>	<u>12,448,338</u>	<u>1,456,044</u>	<u>1,456,044</u>	<u>1,608,131</u>
Expenditures:									
Current operations:									
Legislative	150,255	156,840	156,839	-	-	-	-	-	-
Judicial	1,313,823	1,314,788	1,279,181	-	-	-	-	-	-
General county government	2,511,247	2,528,564	2,459,292	-	-	-	-	-	-
Public safety	3,245,939	3,315,524	3,119,020	-	-	-	-	-	-
Public works	171,036	171,786	171,529	-	-	-	-	-	-
Health and welfare	41,520	44,955	40,737	10,795,075	10,795,075	12,343,057	1,456,044	1,456,044	1,537,114
Other	706,679	697,604	682,159	-	-	-	-	-	-
Total expenditures	<u>8,140,499</u>	<u>8,230,061</u>	<u>7,908,757</u>	<u>10,795,075</u>	<u>10,795,075</u>	<u>12,343,057</u>	<u>1,456,044</u>	<u>1,456,044</u>	<u>1,537,114</u>
Revenues Over (Under) Expenditures	<u>(591,676)</u>	<u>(664,486)</u>	<u>(703,717)</u>	<u>-</u>	<u>-</u>	<u>105,281</u>	<u>-</u>	<u>-</u>	<u>71,017</u>
Other Financing Sources (Uses):									
Transfers in	950,000	950,000	961,397	-	-	-	-	-	-
Transfers out	(358,324)	(285,514)	(280,548)	-	-	-	-	-	-
Total other financing sources (uses)	<u>591,676</u>	<u>664,486</u>	<u>680,849</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Changes in Fund Balances	<u>-</u>	<u>-</u>	<u>(22,868)</u>	<u>-</u>	<u>-</u>	<u>105,281</u>	<u>-</u>	<u>-</u>	<u>71,017</u>
Fund Balances - Beginning of Year	<u>43,627</u>	<u>43,627</u>	<u>43,627</u>	<u>9,543</u>	<u>9,543</u>	<u>9,543</u>	<u>17,158</u>	<u>17,158</u>	<u>128,529</u>
Fund Balances - End of Year	<u>\$ 43,627</u>	<u>\$ 43,627</u>	<u>\$ 20,759</u>	<u>\$ 9,543</u>	<u>\$ 9,543</u>	<u>\$ 114,824</u>	<u>\$ 17,158</u>	<u>\$ 17,158</u>	<u>\$ 199,546</u>

Oceana County, Michigan
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget to Actual
Cash Basis
General Fund and Major Special Revenue Funds
Year Ended December 31, 2006

	Revenue Sharing Fund			Senior Citizens Tax Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues:						
Taxes	\$ 1,378,875	\$ 1,378,875	\$ 1,409,139	\$ 620,491	\$ 620,491	\$ 621,758
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest and rents	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>1,378,875</u>	<u>1,378,875</u>	<u>1,409,139</u>	<u>620,491</u>	<u>620,491</u>	<u>621,758</u>
Expenditures:						
Current operations:						
Legislative	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
General county government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Other	-	-	-	620,491	620,491	615,596
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>620,491</u>	<u>620,491</u>	<u>615,596</u>
Revenues Over (Under) Expenditures	<u>1,378,875</u>	<u>1,378,875</u>	<u>1,409,139</u>	<u>-</u>	<u>-</u>	<u>6,162</u>
Other Financing Sources (Uses):						
Transfers in	-	-	-	-	-	-
Transfers out	(450,000)	(450,000)	(461,397)	-	-	-
Total other financing sources (uses)	<u>(450,000)</u>	<u>(450,000)</u>	<u>(461,397)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Changes in Fund Balances	<u>928,875</u>	<u>928,875</u>	<u>947,742</u>	<u>-</u>	<u>-</u>	<u>6,162</u>
Fund Balances - Beginning of Year	<u>1,003,169</u>	<u>1,003,169</u>	<u>1,003,169</u>	<u>2,250</u>	<u>2,250</u>	<u>2,250</u>
Fund Balances - End of Year	<u>\$ 1,932,044</u>	<u>\$ 1,932,044</u>	<u>\$ 1,950,911</u>	<u>\$ 2,250</u>	<u>\$ 2,250</u>	<u>\$ 8,412</u>

Other Supplemental Information

Oceana County, Michigan
Combining Balance Sheet
Cash Basis
Nonmajor Governmental Funds
December 31, 2006

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Project Funds	Nonmajor Permanent Funds	Total
<u>Assets</u>					
Assets:					
Cash and cash equivalents	\$ 1,406,370	\$ 457,735	\$ 161,084	\$ 150,615	\$ 2,175,804
Property taxes receivable	-	459,719	-	-	459,719
Total assets	<u>\$ 1,406,370</u>	<u>\$ 917,454</u>	<u>\$ 161,084</u>	<u>\$ 150,615</u>	<u>\$ 2,635,523</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Deferred property taxes	\$ -	\$ 459,719	\$ -	\$ -	\$ 459,719
Other liabilities	67,398	-	-	-	67,398
Total liabilities	<u>67,398</u>	<u>459,719</u>	<u>-</u>	<u>-</u>	<u>527,117</u>
Fund Balances:					
Unreserved:					
Designated	33,466	-	161,084	150,615	345,165
Unreserved: undesignated	<u>1,305,506</u>	<u>457,735</u>	<u>-</u>	<u>-</u>	<u>1,763,241</u>
Total fund balances	<u>1,338,972</u>	<u>457,735</u>	<u>161,084</u>	<u>150,615</u>	<u>2,108,406</u>
Total liabilities and fund balances	<u>\$ 1,406,370</u>	<u>\$ 917,454</u>	<u>\$ 161,084</u>	<u>\$ 150,615</u>	<u>\$ 2,635,523</u>

Oceana County, Michigan
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Cash Basis
Nonmajor Governmental Funds
Year Ended December 31, 2006

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Project Funds	Nonmajor Permanent Funds	Total
Revenues:					
Taxes	\$ -	\$ 454,519	\$ -	\$ -	\$ 454,519
Intergovernmental	2,208,580	-	-	-	2,208,580
Charges for services	1,916,359	-	-	-	1,916,359
Interest and rents	-	-	-	13	13
Contributions from local units	-	475,773	-	-	475,773
Other	<u>127,337</u>	<u>-</u>	<u>14,168</u>	<u>-</u>	<u>141,505</u>
Total revenues	<u>4,252,276</u>	<u>930,292</u>	<u>14,168</u>	<u>13</u>	<u>5,196,749</u>
Expenditures:					
Current operations:					
Judicial	28,376	-	-	-	28,376
Public safety	1,243,472	-	-	-	1,243,472
Health and welfare	2,845,812	-	-	-	2,845,812
Culture and recreation	56,265	-	-	-	56,265
Other	23,836	-	-	7	23,843
Capital outlay	110,484	-	3,389	-	113,873
Debt service:					
Principal	-	555,000	-	-	555,000
Interest	<u>-</u>	<u>354,966</u>	<u>-</u>	<u>-</u>	<u>354,966</u>
Total expenditures	<u>4,308,245</u>	<u>909,966</u>	<u>3,389</u>	<u>7</u>	<u>5,221,607</u>
Revenues Over (Under) Expenditures	<u>(55,969)</u>	<u>20,326</u>	<u>10,779</u>	<u>6</u>	<u>(24,858)</u>
Other Financing Sources (Uses):					
Transfers in	330,199	175,224	-	-	505,423
Transfers (out)	<u>(224,875)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(224,875)</u>
Total other financing sources (uses)	<u>105,324</u>	<u>175,224</u>	<u>-</u>	<u>-</u>	<u>280,548</u>
Net Changes in Fund Balances	49,355	195,550	10,779	6	255,690
Fund Balances - Beginning of Year	<u>1,289,617</u>	<u>262,185</u>	<u>150,305</u>	<u>150,609</u>	<u>1,852,716</u>
Fund Balances - End of Year	<u>\$ 1,338,972</u>	<u>\$ 457,735</u>	<u>\$ 161,084</u>	<u>\$ 150,615</u>	<u>\$ 2,108,406</u>

Soldiers' And Sailors' Relief Trust	Veterans'	Social Welfare	Juvenile Justice	Victims' Restitution	Automation R.O.D.	Mason/Oceana E-911	Local Correction Officer Training

\$	\$	1,864	\$	408	\$	57,202	\$	4,896	\$	541	\$	119,417	\$	798,392	\$	17,942
		-		-		-		-		-		-		-		-
\$	\$	1,864	\$	408	\$	57,202	\$	4,896	\$	541	\$	119,417	\$	798,392	\$	17,942

[illegible]

1,864	408	57,202	4,896	541	119,417	798,392	17,942
1,864	408	57,202	4,896	541	119,417	798,392	17,942
\$ 1,864	\$ 408	\$ 57,202	\$ 4,896	\$ 541	\$ 119,417	\$ 798,392	\$ 17,942

Oceana County, Michigan
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Cash Basis
Nonmajor Special Revenue Funds
Year Ended December 31, 2006

	Parks and Recreation	Friend of the Court	Public Improvement	Building Department	Interim Elderly and Handicapped	Drug Law Enforcement	Law Library	Child Care
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	18,325	-	-	217,303
Charges for services	2,604	-	-	323,397	-	-	-	46,012
Other	-	8,680	25,000	-	-	-	5,250	-
Total revenues	<u>2,604</u>	<u>8,680</u>	<u>25,000</u>	<u>323,397</u>	<u>18,325</u>	<u>-</u>	<u>5,250</u>	<u>263,315</u>
Expenditures:								
Judicial	-	-	-	-	-	-	28,376	-
Public safety	-	-	-	-	-	-	-	-
Health and welfare	-	5,929	-	411,706	18,325	-	-	391,895
Culture and recreation	14,782	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Capital outlay	-	-	52,071	-	-	-	-	-
Total expenditures	<u>14,782</u>	<u>5,929</u>	<u>52,071</u>	<u>411,706</u>	<u>18,325</u>	<u>-</u>	<u>28,376</u>	<u>391,895</u>
Revenues Over (Under) Expenditures	<u>(12,178)</u>	<u>2,751</u>	<u>(27,071)</u>	<u>(88,309)</u>	<u>-</u>	<u>-</u>	<u>(23,126)</u>	<u>(128,580)</u>
Other Financing Sources (Uses):								
Transfers in	32,548	-	-	-	-	-	16,000	205,000
Transfers (out)	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,651)</u>
Total other financing sources (uses)	<u>12,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,000</u>	<u>175,349</u>
Net Changes in Fund Balances	370	2,751	(27,071)	(88,309)	-	-	(7,126)	46,769
Fund Balances - Beginning of Year	<u>28,648</u>	<u>33,263</u>	<u>60,537</u>	<u>173,636</u>	<u>-</u>	<u>8,511</u>	<u>15,442</u>	<u>23,758</u>
Fund Balances - End of Year	<u>\$ 29,018</u>	<u>\$ 36,014</u>	<u>\$ 33,466</u>	<u>\$ 85,327</u>	<u>\$ -</u>	<u>\$ 8,511</u>	<u>\$ 8,316</u>	<u>\$ 70,527</u>

Oceana County, Michigan
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances (Continued)
Cash Basis
Nonmajor Special Revenue Funds
Year Ended December 31, 2006

	Soldiers' & Sailors' Relief	Veterans' Trust	Social Welfare	Juvenile Justice	Victims' Restitution	Automation R.O.D.	Mason/ Oceana E-911
Revenues:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	4,988	416,670	19,161	-	-	-
Charges for services	-	-	-	-	-	-	1,498,903
Other	-	-	-	-	-	52,512	-
Total revenues	-	4,988	416,670	19,161	-	52,512	1,498,903
Expenditures:							
Judicial	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	1,234,599
Health and welfare	15,259	4,686	411,573	54,306	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	58,413	-
Total expenditures	15,259	4,686	411,573	54,306	-	58,413	1,234,599
Revenues Over (Under) Expenditures	(15,259)	302	5,097	(35,145)	-	(5,901)	264,304
Other Financing Sources (Uses):							
Transfers in	17,000	-	10,000	29,651	-	-	-
Transfers (out)	-	-	-	-	-	-	(175,224)
Total other financing sources (uses)	17,000	-	10,000	29,651	-	-	(175,224)
Net Changes in Fund Balances	1,741	302	15,097	(5,494)	-	(5,901)	89,080
Fund Balances - Beginning of Year	123	106	42,105	10,390	541	125,318	709,312
Fund Balances - End of Year	\$ 1,864	\$ 408	\$ 57,202	\$ 4,896	\$ 541	\$ 119,417	\$ 798,392

Oceana County, Michigan
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances (Concluded)

Nonmajor Special Revenue Funds
Year Ended December 31, 200635

Oceana County, Michigan
Combining Balance Sheet
Cash Basis
Nonmajor Debt Service Funds
December 31, 2006

	<u>Medical Care</u>	<u>Wastewater</u>	<u>Mason/</u>	
	<u>Facility</u>	<u>Treatment</u>	<u>Oceana</u>	
<u>Assets</u>		<u>Plant</u>	<u>E-911</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 455,510	\$ 2,225	\$ -	\$ 457,735
Taxes receivable	<u>459,719</u>	<u>-</u>	<u>-</u>	<u>459,719</u>
	<u>\$ 915,229</u>	<u>\$ 2,225</u>	<u>\$ -</u>	<u>\$ 917,454</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Deferred property taxes	\$ 459,719	\$ -	\$ -	\$ 459,719
Total liabilities	<u>459,719</u>	<u>-</u>	<u>-</u>	<u>459,719</u>
Fund Balances:				
Unreserved: undesignated	<u>455,510</u>	<u>2,225</u>	<u>-</u>	<u>457,735</u>
Total liabilities and fund balances	<u>\$ 915,229</u>	<u>\$ 2,225</u>	<u>\$ -</u>	<u>\$ 917,454</u>

Oceana County, Michigan
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Cash Basis
Nonmajor Debt Service Funds
Year Ended December 31, 2006

	Medical Care Facility	Wasterwater Treatment Plant	Mason/ Oceana E-911	Total
Revenues:				
Taxes	\$ 454,519	\$ -	\$ -	\$ 454,519
Contributions from local units	-	475,773	-	475,773
Total revenues	<u>454,519</u>	<u>475,773</u>	<u>-</u>	<u>930,292</u>
Expenditures:				
Debt service:				
Principal retirement	135,000	310,000	110,000	555,000
Interest and fiscal charges	<u>123,958</u>	<u>165,784</u>	<u>65,224</u>	<u>354,966</u>
Total expenditures	<u>258,958</u>	<u>475,784</u>	<u>175,224</u>	<u>909,966</u>
Revenues Over (Under) Expenditures	<u>195,561</u>	<u>(11)</u>	<u>(175,224)</u>	<u>20,326</u>
Other Financing Sources (Uses):				
Transfers in	-	-	175,224	175,224
Total financing sources (uses)	<u>-</u>	<u>-</u>	<u>175,224</u>	<u>175,224</u>
Net Changes in Fund Balances	195,561	(11)	-	195,550
Fund Balances - Beginning of Year	<u>259,949</u>	<u>2,236</u>	<u>-</u>	<u>262,185</u>
Fund Balances - End of Year	<u>\$ 455,510</u>	<u>\$ 2,225</u>	<u>\$ -</u>	<u>\$ 457,735</u>

Oceana County, Michigan
Combining Balance Sheet
Cash Basis
Nonmajor Capital Project Funds
December 31, 2006

	<u>District Court</u>	<u>Sheriff</u>	<u>Medical Care Facility Replacement</u>	<u>Total</u>
<u>Assets</u>				
Assets:				
Cash and cash equivalents	\$ 13,586	\$ 147,498	\$ -	\$ 161,084
<u>Fund Balances</u>				
Fund Balances:				
Unreserved:				
Designated for capital expenditures	\$ 13,586	\$ 147,498	\$ -	\$ 161,084

Oceana County, Michigan
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Cash Basis
Nonmajor Capital Project Funds
Year Ended December 31, 2006

	District Court	Sheriff	Medical Care Facility Replacement	Total
Revenues:				
Other	\$ -	\$ 14,168	\$ -	\$ 14,168
Total revenues	-	14,168	-	14,168
Expenditures:				
Capital outlay	-	3,389	-	3,389
Net Changes in Fund Balances	-	(10,779)	-	10,779
Fund Balances - Beginning of Year	13,586	136,719	-	150,305
Fund Balances - End of Year	<u>\$ 13,586</u>	<u>\$ 147,498</u>	<u>\$ -</u>	<u>\$ 161,084</u>

Oceana County, Michigan
Combining Balance Sheet
Cash Basis
Nonmajor Permanent Funds
December 31, 2006

	<u>Cemetery</u>	<u>Medical</u>	
	<u>Trust</u>	<u>Care</u>	
	<u>Trust</u>	<u>Endowment</u>	<u>Total</u>
<u>Assets</u>			
Assets:			
Cash and cash equivalents	\$ 313	\$ 150,302	\$ 150,615
<u>Fund Balances</u>			
Fund Balances:			
Unreserved:			
Designated for programs	\$ 313	\$ 150,302	\$ 150,615

Oceana County, Michigan
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Cash Basis
Nonmajor Permanent Funds
Year Ended December 31, 2006

	Cemetery Trust	Medical Care Endowment	Total
Revenues:			
Interest	\$ 13	\$ -	\$ 13
Total revenues	<u>13</u>	<u>-</u>	<u>13</u>
Expenditures:			
Other	<u>7</u>	<u>-</u>	<u>7</u>
Net Changes in Fund Balances	6	-	6
Fund Balances - Beginning of Year	<u>307</u>	<u>150,302</u>	<u>150,609</u>
Fund Balances - End of Year	<u>\$ 313</u>	<u>\$ 150,302</u>	<u>\$ 150,615</u>

Oceana County, Michigan
Statement of Revenues, Expenditures,
and Changes in Fund Balances - Budget to Actual
Cash Basis
General Fund
(With Comparative Totals for the Prior Year)
Year Ended December 31, 2006

	2006		Variance Favorable (Unfavorable)	Prior Year Actual
	Budget	Actual		
Revenues:				
Taxes	\$ 4,700,953	\$ 4,481,461	\$ (219,492)	\$ 4,408,655
Licenses and permits	65,200	52,338	(12,862)	71,282
Intergovernmental	1,190,286	1,169,599	(20,687)	1,396,872
Charges for services	1,279,382	1,079,712	(199,670)	1,141,155
Fines and forfeitures	10,110	9,933	(177)	8,263
Interest and rentals	119,000	196,798	77,798	111,295
Other	200,644	215,199	14,555	216,712
Total revenues	<u>7,565,575</u>	<u>7,205,040</u>	<u>(360,535)</u>	<u>7,354,234</u>
Expenditures:				
Current operations:				
Legislative				
Board of commissioners	<u>156,840</u>	<u>156,839</u>	<u>1</u>	<u>149,750</u>
Judicial				
Circuit court	361,227	353,234	7,993	375,535
District court	394,695	379,813	14,882	379,365
Friend of the court	313,313	300,720	12,593	289,932
Probate court	241,727	241,724	3	241,386
Jury board	<u>3,826</u>	<u>3,690</u>	<u>136</u>	<u>3,598</u>
Total judicial	<u>1,314,788</u>	<u>1,279,181</u>	<u>35,607</u>	<u>1,289,816</u>
General county government				
County administrator	174,037	174,035	2	159,423
Elections	50,603	38,578	12,025	2,444
Clerk	313,667	305,081	8,586	282,150
Equalization	209,015	204,192	4,823	200,508
Prosecuting attorney	342,911	336,804	6,107	326,971
Register of deeds	173,074	156,008	17,066	154,730
Plat board	1,337	964	373	440
Remonumentation	56,948	56,943	5	83,953
Drain commission	131,284	129,860	1,424	120,225
Treasurer	175,061	175,062	(1)	159,177
Tax administration	3,928	3,915	13	3,767
Cooperative extension	120,957	120,181	776	113,074
Building and grounds	318,925	318,925	-	313,041
Other general government	<u>456,817</u>	<u>438,744</u>	<u>18,073</u>	<u>418,270</u>
Total general county government	<u>2,528,564</u>	<u>2,459,292</u>	<u>69,272</u>	<u>2,338,173</u>

Oceana County, Michigan
Statement of Revenues, Expenditures,
and Changes in Fund Balances - Budget to Actual
Cash Basis
General Fund
(With Comparative Totals for the Prior Year)
Year Ended December 31, 2006

	<u>2006</u>		<u>Variance</u>	<u>Prior</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u>	<u>Year</u>
			<u>(Unfavorable)</u>	<u>Actual</u>
Expenditures (Continued):				
Public safety				
Sheriffs' department	\$ 1,660,211	\$ 1,582,890	\$ 77,321	\$ 1,570,104
Training	4,200	1,620	2,580	7,388
Marine law enforcement	104,087	104,087	-	95,722
Snowmobile enforcement	26,413	26,410	3	23,843
Road patrol	144,294	144,288	6	133,672
Corrections department	1,053,881	989,459	64,422	1,016,079
Parole	4,650	2,893	1,757	4,463
Planning commission	18,942	18,941	1	14,480
Emergency preparedness	172,976	127,540	45,436	350,637
Other	600	227	373	1,344
Animal shelter	<u>125,270</u>	<u>120,665</u>	<u>4,605</u>	<u>119,233</u>
Total public safety	<u>3,315,524</u>	<u>3,119,020</u>	<u>196,504</u>	<u>3,336,965</u>
Public works				
Drains public benefit	21,638	21,384	254	21,889
Refuse collection and disposal	<u>150,148</u>	<u>150,145</u>	<u>3</u>	<u>141,191</u>
Total public works	<u>171,786</u>	<u>171,529</u>	<u>257</u>	<u>163,080</u>
Health and welfare	<u>44,955</u>	<u>40,737</u>	<u>4,218</u>	<u>38,130</u>
Other				
Appropriations	381,879	381,177	702	370,053
Other	<u>315,725</u>	<u>300,982</u>	<u>14,743</u>	<u>295,942</u>
Total other	<u>697,604</u>	<u>682,159</u>	<u>15,445</u>	<u>665,995</u>
Total expenditures	<u>8,230,061</u>	<u>7,908,757</u>	<u>321,304</u>	<u>7,981,909</u>
Revenues Over (Under) Expenditures	<u>(664,486)</u>	<u>(703,717)</u>	<u>(39,231)</u>	<u>(627,675)</u>
Other Financing Sources (Uses):				
Transfers in	950,000	961,397	11,397	800,437
Transfers (out)	<u>(285,514)</u>	<u>(280,548)</u>	<u>4,966</u>	<u>(256,633)</u>
Total other financing sources (uses)	<u>664,486</u>	<u>680,849</u>	<u>16,363</u>	<u>543,804</u>
Net Changes in Fund Balances	-	(22,868)	(22,868)	(83,871)

Oceana County, Michigan
Statement of Revenues, Expenditures,
and Changes in Fund Balances - Budget to Actual
Cash Basis
General Fund
(With Comparative Totals for the Prior Year)
Year Ended December 31, 2006

	<u>2006</u>			<u>Prior</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Year Actual</u>
Fund Balances - Beginning of Year	\$ 43,627	\$ 43,627	\$ -	\$ 127,498
Fund Balances - End of Year	<u>\$ 43,627</u>	<u>\$ 20,759</u>	<u>\$ (22,868)</u>	<u>\$ 43,627</u>

Oceana County, Michigan
Schedule of Bonded Indebtedness
December 31, 2006

2001 Sewage Disposal Bonds Revenue Bonds Series 2001B	Date of Issue	Amount of Issue	Interest Rate	Date of Final Maturity	Fiscal Year Interest Requirements	Amount of Annual Maturity	Bonds Outstanding 12/31/2006
	July 12, 2001	\$ 5,165,000	3.800%	11/01/07	\$ 153,992	\$ 320,000	\$ 320,000
			3.950%	10/31/08	141,353	335,000	335,000
			4.150%	11/01/09	127,450	345,000	345,000
			4.250%	11/01/10	112,788	365,000	365,000
			4.350%	11/01/11	96,910	380,000	380,000
			4.450%	10/31/12	80,000	395,000	395,000
			4.550%	11/01/13	62,027	415,000	415,000
			4.650%	11/01/14	42,730	435,000	435,000
			4.850%	11/01/15	22,068	455,000	455,000
							<u>\$ 3,445,000</u>

2002 Capital Improvement Bonds	Date of Issue	Amount of Issue	Interest Rate	Date of Final Maturity	Fiscal Year Interest Requirements	Amount of Annual Maturity	Bonds Outstanding 12/31/2006
	November 1, 2002	\$ 1,890,000	3.500%	11/01/07	\$ 61,649	\$ 110,000	\$ 110,000
			3.750%	10/31/08	57,799	115,000	115,000
			4.000%	11/01/09	53,486	120,000	120,000
			4.000%	11/01/10	48,686	120,000	120,000
			4.000%	11/01/11	43,886	125,000	125,000
			4.100%	10/31/12	38,886	130,000	130,000
			4.250%	11/01/13	33,556	135,000	135,000
			4.350%	11/01/14	27,819	145,000	145,000
			4.500%	11/01/15	21,511	150,000	150,000
			4.600%	10/31/16	14,761	155,000	155,000
			4.625%	11/01/17	7,632	165,000	165,000
							<u>\$ 1,470,000</u>

Oceana County, Michigan
Schedule of Bonded Indebtedness
(Continued)
December 31, 2006

2003 Capital Improvement Bonds	Date of Issue	Amount of Issue	Interest Rate	Date of Final Maturity	Fiscal Year Interest Requirements	Amount of Annual Maturity	Bonds Outstanding 12/31/2006
	September 29, 2003	\$241,500	4.250%	06/01/07	\$ 20,022	\$ 5,000	\$ 5,000
			4.250%	05/31/08	19,589	5,000	5,000
			4.250%	06/01/09	19,155	5,000	5,000
			4.250%	06/01/10	18,722	5,000	5,000
			4.250%	06/01/11	18,289	6,000	6,000
			4.250%	05/31/12	17,768	6,000	6,000
			4.250%	06/01/13	17,248	6,000	6,000
			4.250%	06/01/14	16,728	6,000	6,000
			4.250%	06/01/15	16,208	7,000	7,000
			4.250%	05/31/16	15,602	7,000	7,000
			4.250%	06/01/17	14,995	7,000	7,000
			4.250%	06/01/18	14,388	7,000	7,000
			4.250%	06/01/19	13,781	8,000	8,000
			4.250%	05/31/20	13,088	8,000	8,000
			4.250%	06/01/21	12,395	8,000	8,000
			4.250%	06/01/22	11,701	9,000	9,000
			4.250%	06/01/23	10,921	9,000	9,000
			4.250%	05/31/24	10,141	10,000	10,000
			4.250%	06/01/25	9,274	10,000	10,000
			4.250%	06/01/26	8,408	10,000	10,000
			4.250%	06/01/27	7,541	11,000	11,000
			4.250%	05/31/28	6,587	11,000	11,000
			4.250%	06/01/29	5,634	12,000	12,000
			4.250%	06/01/30	4,594	12,000	12,000
			4.250%	06/01/31	3,554	13,000	13,000
			4.250%	05/31/32	2,428	13,000	13,000
			4.250%	06/01/33	1,300	15,000	15,000
							<u>\$ 231,000</u>

Oceana County, Michigan
Schedule of Bonded Indebtedness
(Continued)
December 31, 2006

2003 Capital Improvement Bonds	Date of Issue	Amount of Issue	Interest Rate	Date of Final Maturity	Fiscal Year Interest Requirements	Amount of Annual Maturity	Bonds Outstanding 12/31/2006
	November 1, 2003	\$350,000	3.000%	11/01/07	\$ 13,490	\$ 10,000	\$ 10,000
			3.000%	10/31/08	13,190	15,000	15,000
			3.000%	11/01/09	12,740	15,000	15,000
			3.250%	11/01/10	12,290	15,000	15,000
			3.500%	11/01/11	11,803	15,000	15,000
			3.750%	10/31/12	11,277	15,000	15,000
			4.000%	11/01/13	10,715	15,000	15,000
			4.100%	11/01/14	10,115	15,000	15,000
			4.200%	11/01/15	9,500	20,000	20,000
			4.300%	10/31/16	8,660	20,000	20,000
			4.400%	11/01/17	7,800	20,000	20,000
			4.500%	11/01/18	6,920	20,000	20,000
			4.600%	11/01/19	6,020	20,000	20,000
			4.700%	10/31/20	5,100	25,000	25,000
			4.800%	11/01/21	3,925	25,000	25,000
			4.900%	11/01/22	2,725	25,000	25,000
			5.000%	11/01/23	1,500	30,000	30,000
							<u>\$ 320,000</u>

Oceana County, Michigan
Schedule of Bonded Indebtedness
(Continued)
December 31, 2006

2003 Capital Improvement Bonds	Date of Issue	Amount of Issue	Interest Rate	Date of Final Maturity	Fiscal Year Interest Requirements	Amount of Annual Maturity	Bonds Outstanding 12/31/2006
	December 31, 2003	\$3,500,000	2.750%	11/01/07	\$ 120,333	\$ 140,000	\$ 140,000
			3.000%	10/31/08	116,482	140,000	140,000
			3.000%	11/01/09	112,283	145,000	145,000
			3.500%	11/01/10	107,933	150,000	150,000
			3.500%	11/01/11	102,682	155,000	155,000
			3.500%	10/31/12	97,258	155,000	155,000
			3.650%	11/01/13	91,832	165,000	165,000
			3.750%	11/01/14	85,810	170,000	170,000
			3.850%	11/01/15	79,435	175,000	175,000
			3.950%	10/31/16	72,698	180,000	180,000
			4.050%	11/01/17	65,588	190,000	190,000
			4.150%	11/01/18	57,893	195,000	195,000
			4.250%	11/01/19	49,800	205,000	205,000
			4.350%	10/31/20	41,087	215,000	215,000
			4.450%	11/01/21	31,735	225,000	225,000
			4.500%	11/01/22	21,722	235,000	235,000
			4.550%	11/01/23	11,147	245,000	245,000
							<u>\$ 3,085,000</u>

Oceana County

Single Audit Report

Year Ended December 31, 2006

Contents

	<u>Page</u>
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	1 - 2
Report Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	3-4
Schedule of Expenditures of Federal Awards	5
Notes to Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs	7-8
Response to Findings and Questioned Costs	9-10



**Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133**

Board of Commissioners
Oceana County
Hart, Michigan

Compliance

We have audited the compliance of Oceana County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2006. Oceana County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Oceana County's management. Our responsibility is to express an opinion on Oceana County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Oceana County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Oceana County's compliance with those requirements.

As described in finding 2006-6 in the accompanying Schedule of Findings and Questioned Costs, Oceana County did not comply with requirements regarding allowable costs/cost principles that are applicable to its Community Development Block Grant. Compliance with such requirements is necessary, in our opinion, for Oceana County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Oceana County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

Internal Control Over Compliance

The management of Oceana County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Oceana County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Oceana County's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in Oceana County's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and also consider to be a material weakness.

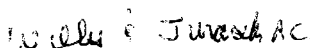
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2006-6 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies described above, we consider Finding 2006-6 to be a material weakness.

Schedule of expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Oceana County's primary government as of and for the year ended December 31, 2006, and have issued our report thereon dated June 18, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's primary government basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basis financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of the Board of Commissioners, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Willis & Jurasek, P.C.
June 18, 2007



**Report Based on an Audit of Financial Statements
Performed in Accordance with
Government Auditing Standards**

Board of Commissioners
Oceana County
Hart, Michigan

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Oceana County's primary government as of and for the year ended December 31, 2006, and have issued our report thereon dated June 18, 2007. Our report disclosed that the financial statements include only financial activity of the primary government and that the financial activities of component units that form the reporting entity are not included. The County also prepares its financial statements on the modified cash basis of accounting for its government-wide financial statements and the cash basis for its fund financial statements, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oceana County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in the internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies describe in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting. The significant deficiencies are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2006-1, 2006-2, 2006-3, 2006-4, 2006-5 and 2006-6.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also consider to be material weaknesses. Of the significant deficiencies described above, we consider Findings 2006-5 and 2006-6 to be material weaknesses.

WILLIS & JURASEK, P.C.

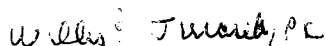
2545 Spring Arbor Road
Suite 200
Jackson, MI 49203-3690

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oceana County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2006-6.

Oceana County's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Willis & Jurasek, P.C.

June 18, 2007

Oceana County
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2006

Federal Agency/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance	Pass Through Grantor's Number	<u>Expenditures</u>
<u>U.S. Department of Justice</u>			
Passed through Michigan Department of State Police			
SCCENT	16.738	70889-7-06-B	\$ 38,819
 <u>U.S. Department of Housing and Urban Development</u>			
Passed through Michigan State Housing Development Authority			
Community Development Block Grant - Housing Program	14.239	MSC 2004-5825-HOA	<u>153,474</u>
 Passed through Michigan Economic Development Corporation			
Community Development Block Grant	14.228	MSC 204012-EDIG	312,107
Community Development Block Grant	14.228	MSC 203042-EDIG	<u>1,066,552</u>
Total passed through Michigan Economic Development Corporation			<u>1,378,659</u>
 Total passed through U.S. Department of Housing and Urban Development			<u>1,532,133</u>
 <u>U.S. Department of Health and Human Services</u>			
Passed through Michigan Department of Human Services			
Title IV-D Prosecuting Attorney Co-Op	93.563	CSPA 06-64002	52,357
Title IV-D FOC	93.563	CSFOC 06-64001	<u>189,933</u>
Total U.S. Department of Health and Human Services			<u>242,290</u>
 <u>U.S. Department of homeland Security</u>			
Pass through Michigan Department of State Police			
2004 Homeland Security Grant Program Supplemental Grant	97.004	N/A	21,195
2005 Homeland Security Grant Program	97.067	N/A	17,527
Emergency Management Performance Grant	97.042	N/A	<u>18,274</u>
Total passed through U.S. Department of Homeland Security			<u>56,996</u>
			<u>\$ 1,870,238</u>

Oceana County

Notes to Schedule of Expenditures of Federal Awards

1. Summary Of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Oceana County and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Oceana County
Schedule Of Findings And Questioned Costs
Year Ended December 31, 2006

Section 1 – Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:

Qualified

Internal control over financial reporting:

Material weakness identified?

 X yes no

Significant deficiencies identified that are
not considered to be material weakness

 X yes no

Noncompliance material to financial statements noted

 yes X no

Federal Awards

Internal control over major programs:

Material weakness identified?

 X yes no

Significant deficiencies identified that are
not considered to be material weakness

 X yes no

Type of auditor's report issued on compliance
for major programs:

Qualified

Any audit findings disclosed that are required to be
reported in accordance with section 510(a) of
Circular A-133.

 X yes no

Identification of major programs:

CFDA Number
14,228

Name of Federal Program
Community Development Block Grant

Dollar threshold used to distinguish between
Type A and type B programs:

 \$ 300,000

Auditee qualified as low-risk

 yes X no

Oceana County
Schedule of Findings and Questioned Costs
Year Ended December 31, 2006

Section II – Financial Statement Findings

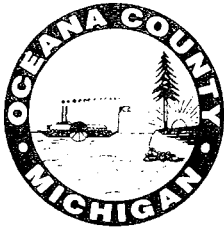
- Finding 2006-1** Bank reconciliations were not performed on a timely basis at certain times during the last fiscal year. Timely reconciliations are an important internal control function. While this has not been an issue in the past, it was however, noted during the year ended December 31, 2006.
- Finding 2006-2** Management of the County has the ability to produce internal reporting that allows for financial management of the day to day operations. However, management relies on the external auditors to prepare its external audit reports. While this may be typical of some smaller municipalities, it is considered a significant deficiency under SAS 112, which became effective this year.
- Finding 2006-3** The County currently reports its activity on a modified cash basis for its government-wide financial statements, and the cash basis for its fund financial statements. These are considered an other comprehensive basis of accounting, not in accordance with generally accepted accounting principles. We strongly encourage the County to switch its method of accounting to the modified accrual method for its fund financial statements and the accrual method for its government-wide financial statements.
- Finding 2006-4** The County does not present a Management's Discussion and Analysis as supplementary information. The County has chosen not to present this information. This is also considered a significant deficiency as defined by SAS 112.
- Finding 2006-5** During the course of the audit we proposed a few journal entries, which management agreed with and posted to the final general ledger. However, some on these entries had a material affect on the final financial statements. The main material adjustment dealt with the Revenue Sharing Fund. Since this was a material adjustment, we considered this to be a material weakness as defined by SAS 112.

Section III – Federal Award Findings and Questioned Costs

- Finding 2006-6** HUD programs require grantees to comply with Department of Environment Quality Environmental Review Requirements. The project for the Community Development Block Grant (Project number MSC 203042-EDIG), has received a notice of violation (DEQ Complaint Number 06-64-0031V) alleging a violation of the State's environmental regulations by filling in an area deemed to be a wetland without obtaining authorization to do so. The County is currently trying to remedy the situation and has requested grant extensions to attempt to correct the situation.
- As a result, \$312,000 of the total grant amount is in danger of begin disallowed and is at this point considered a questioned cost. Unless the problem can be corrected the \$312,000 may be required to be repaid.

Section IV – Prior Year Federal Award Findings

None



PAUL E. INGLIS
OCEANA COUNTY
ADMINISTRATOR/FISCAL OFFICER

P.O. Box 31, Hart, MI 49420
Phone (231) 873-4835
Fax (231) 873-5914

Oceana County Audit

Management's Response to and Corrective Action Plan for the Schedule of Findings and Questioned Costs for the Year Ended December 31, 2006

Section II – Financial Statement Findings

Finding 2006 – 1 – The delay in bank reconciliations was caused by changing depositories mid-year and reconciliations are now and will continue to be done in a timely fashion.

Finding 2006 – 2 – The County of Oceana began to experience serious budgetary and cash flow issues on October 1, 2004 when its statutory revenue sharing payments were discontinued by the Governor and the Legislature. The County's General Fund year-end balances continued to decline each year beginning with year-end 2004. The balance in the General Fund for year-end 2006 was less than \$20,000 out of a 2006 General Fund budget of over \$8,500,000.

Compliance with SAS112 regarding the County's preparation of its external audit reports would require additional costs to employ additional personnel and no new revenues are available to pay for the same.

The benefit of the County's preparation of external audit reports is far outweighed by the costs to do so.

Finding 2006 – 3 – The County has been reporting its activities on a modified cash basis for its government-wide financial statements and on a cash basis for its financial statements which is not in accordance with generally accepted accounting standards for a number of reasons. However, effective with the 2007 audit year, the County intends to change its method of accounting to the modified accrual method for its fund financial statements and the accrual method for its government-wide financial statements.

Finding 2006 – 4 – The County will implement a Management's Discussion and Analysis as supplementary information to its audit for the year ending December 31, 2007.

Finding 2006 – 5 – The Oceana County Treasurer has become more familiar with the accounting requirements for the Revenue Sharing Reserve Fund and these adjustments should not be needed in the future.

Section III – Federal Award Findings and Questioned Costs

Finding 2006 – 6 – The grant project for the Community Development Block Grant #MSC 203042-EDIG has been compromised by a Department of Environmental Quality (DEQ) notice of violation (DEQ Complaint Number 06-64-0031V) alleging a violation of the State's environmental regulations wherein a wetland area was deemed to be filled in without authorization.

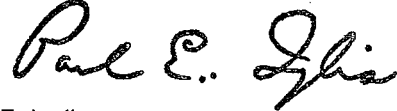
The County, with the assistance of its Economic Development Corporation Executive Director, County Administrator, County Prosecuting Attorney and private attorney with a background in environmental law, has made a concerted effort to correct the situation through the development of an action plan with a number of component options (to date, all correspondence and discussions are protected by attorney/client privilege because, ultimately, litigation may be the County's only solution).

In the effort to avert the repayment of up to \$312,000 in grant funds which could be disallowed by the Michigan Economic Development Corporation (MEDC) and/or the Department of Housing and Urban Development (HUD) (at this point, it is considered a questioned cost), the County has publicly taken the following action:

continued to work with the DEQ in order to identify options for resolving the wetlands issues in order to ensure the success of all components of the project.

2. The County is requesting that HUD agree to extend the timeframe for amending the definition of the Project to delete the component of the Project that could result in the declaration of a failed Project. The request is to extend the timeframe from June 1, 2007 to January 1, 2008.
3. As an alternative to the second item described above, the County is requesting that the MEDC and HUD consider a different amendment to the definition of the Project. By redefining the portion of the total Project that is in question, it would significantly reduce the portion of the grant to be reimbursed from \$312,000 to less than \$20,000.

Respectfully Submitted:

A handwritten signature in black ink, reading "Paul E. Inglis". The signature is written in a cursive, flowing style.

Paul E. Inglis
Oceana County Administrator/Fiscal Officer
June 28, 2007



June 18, 2007

Board of Commissioners
Oceana County
Hart, Michigan

We have audited the financial statements of the primary government of Oceana County, Michigan for the year ended December 31, 2006, and have issued our report thereon dated June 18, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement proposal our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

In planning and performing our audit, we considered Oceana County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Oceana County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County's compliance with those requirements.

WILLIS & JURASEK, P.C.

2545 Spring Arbor Road
Suite 200
Jackson, MI 49203-3690

Phone Number: (517) 788-8660
Fax Number: (517) 788-9872
E-Mail: willis@willispc.com
Web site: www.willispc.com

Our Responsibility under Generally Accepted Auditing Standards (Continued)

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County are described in Note 1 to the financial statements. No new accounting policies were adopted and no other applications of existing policies were changed during the current year. We noted no transactions entered into by the County during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no material estimates recorded in the current year.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the County's financial reporting process (that is, cause future financial statements to be materially misstated). We made adjusting journal entries for the year ended December 31, 2006, some which had a material effect on the balances in the General Fund and the Revenue Sharing Fund.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Board of Commissioners
Oceana County
Hart, Michigan
Page 3

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Commissioners and management of Ocean County and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank the County and its staff for the cooperation extended to us during our audit and would be happy to discuss any of the comments in detail if you so desire.

Very truly yours,

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.